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R E V E N U E

REVIEW

Quarterly
Revenue Report
for the
State of Michigan

MAY 2008

House Fiscal Agency
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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>2nd Qtr FY 2006-07</u>	<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$4,147.2 million	\$4,572.2 million	10.2%	6.6%

Revenue collections for second quarter (February–April) of fiscal year (FY) 2007-08 were higher than second quarter FY 2006-07 revenue collections by \$424.9 million or 10.2%; much of this increase is due to income tax- and Michigan business tax-related changes. Total revenue collections fiscal-year-to-date (FYTD) were up \$625.7 million or 6.6%.

INCOME TAX (NET)

<u>2nd Qtr FY 2006-07</u>	<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$1,079.7 million	\$1,322.7 million	22.5%	15.0%

Income tax revenue consists of three components— withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 85% of gross income tax collection. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections (which include income tax refunds) for second quarter FY 2007-08 were higher than second quarter FY 2006-07 collection by \$243.0 million or 22.5%. Withholding payments were up 11.1%, quarterly and annual payments were up 19.2%, and refunds were up 6.2%. Net income tax collections FYTD were \$3.5 billion—up \$456.7 million or 15.0% from a year ago.

SALES AND USE TAXES

<u>2nd Qtr FY 2006-07</u>	<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$1,846.4 million	\$1,885.2 million	2.1%	1.5%

Sales tax collection is derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and use tax collections for second quarter FY 2007-08 were higher than the year-ago quarter by \$38.8 million or 2.1%. Sales tax due to motor vehicle sales increased 1.6%; all other sales tax collections were up 2.4% in second quarter FY 2007-08 relative to the year-ago second quarter. Sales and use tax collections FYTD were up \$58.6 million or 1.5% from a year ago.

MICHIGAN/SINGLE BUSINESS AND INSURANCE TAXES

<u>2nd Qtr FY 2006-07</u>	<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$564.1 million	\$763.2 million	35.3%	18.9%

Michigan business tax (MBT) is applied to gross receipts less purchases from other firms; single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For second quarter FY 2007-08, Michigan/single business and insurance tax collections were above the year-ago second quarter by \$199.1 million or 35.3%. Business tax collections FYTD were \$1.2 billion—up \$190.4 million or 18.9% from a year ago. Although the current 18.9% growth rate is on target through the second quarter, annual growth of 35.6% is required to meet the forecast estimate.

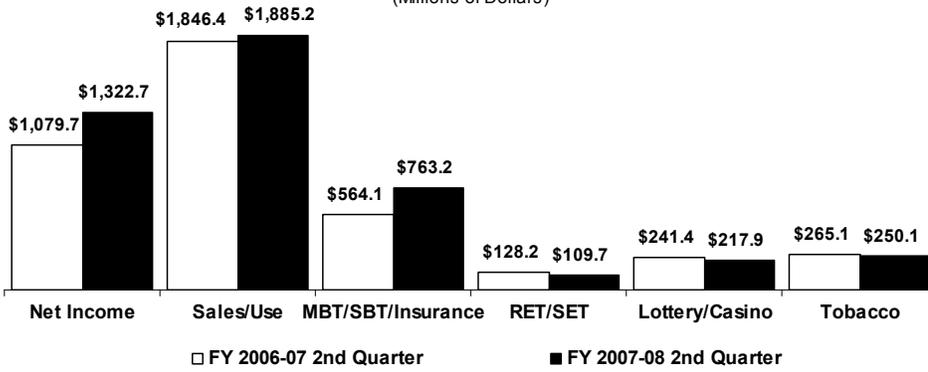
OTHER REVENUE

<u>2nd Qtr FY 2006-07</u>	<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$657.1 million	\$601.1 million	-8.5%	-4.9%

Other revenue collections—primarily state education tax, real estate transfer tax, tobacco tax, and lottery revenue—for second quarter FY 2007-08 were down \$56.0 million or 8.5% from the second quarter of FY 2006-07. Other revenue collections FYTD were \$1.5 billion—down \$80.1 million or 4.9% from a year ago.

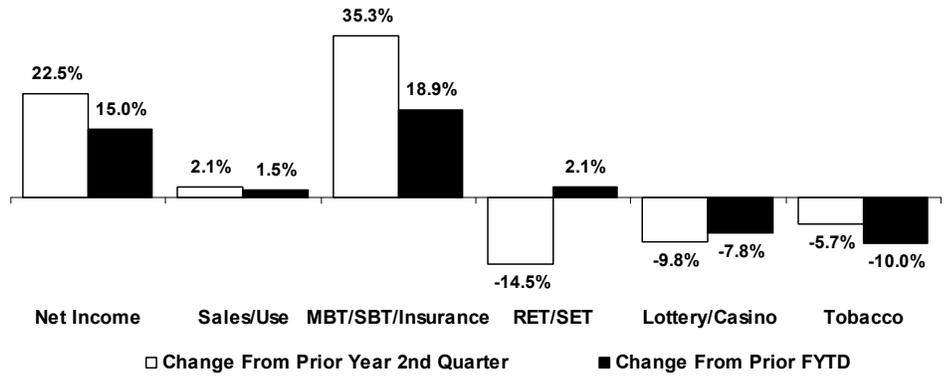
State of Michigan Revenue: 2nd Quarter Comparison

(Millions of Dollars)



Fiscal year-to-date, GF/GP revenue is up \$35 million, and SAF revenue is up \$20 million from target estimates.

State of Michigan Revenue: Change From Prior Year



Revenue Quarterly Review: 2nd Quarter (February–April) FY 2007-08

(Millions of Dollars)

	FY 2007-08 2nd Quarter	% Change From Year-Ago 2nd Quarter	FY 2007-08 Year-to-Date	Change From Previous Fiscal Year-to-Date		FY 2007-08 January Consensus Forecast Growth
Annual Income Tax	\$729.3	20.7%	\$761.7	\$126.5	19.9%	10.2%
Quarterly Income Tax	144.9	12.6%	429.9	32.7	8.2%	6.9%
Withholding	1,822.2	11.1%	3,775.7	363.8	10.7%	9.9%
Subtotal	2,696.4	13.6%	4,967.3	523.0	11.8%	9.6%
Income Tax Refunds	1,373.7	6.2%	1,472.3	66.3	4.7%	8.4%
Net Income Tax	1,322.7	22.5%	3,495.1	456.7	15.0%	9.9%
Sales Tax	1,549.8	2.3%	3,263.6	73.2	2.3%	-0.3%
Use Tax	335.4	1.1%	662.6	(14.6)	-2.2%	0.4%
Subtotal	1,885.2	2.1%	3,926.2	58.6	1.5%	-0.2%
Single Business Tax	221.7	-56.3%	599.6	(295.2)	-33.0%	-64.9%
Michigan Business Tax	466.5		466.5	466.5		
Insurance Tax	75.0	32.1%	130.4	19.2	17.2%	9.0%
Subtotal	763.2	35.3%	1,196.4	190.4	18.9%	35.6%
Casino Wagering	32.0	-22.1%	66.0	(29.4)	-30.8%	-15.1%
Tobacco Tax	250.1	-5.7%	491.9	(54.4)	-10.0%	-2.1%
Lottery	185.9	-7.2%	376.8	(8.0)	-2.1%	-0.8%
Industrial/CommFacility Taxes	23.4	5.0%	41.1	0.2	0.5%	-55.4%
Real Estate Transfer Tax	41.1	-24.6%	92.4	(19.9)	-17.7%	-11.2%
State Education Tax	68.6	-6.9%	473.4	31.5	7.1%	-0.5%
Subtotal	601.1	-8.5%	1,541.6	(80.1)	-4.9%	-3.7%
Total	\$4,572.2	10.2%	\$10,159.2	\$625.7	6.6%	5.7%